

Terminated  
11/29/94

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is entered into and made effective this 17 th day of September, 1992, ("Effective Date"), by and between Del Amo Savings Bank, F.S.B., Torrance, California, for itself and any wholly or partly-owned subsidiary ("Del Amo" or the "Institution") and the Office of Thrift Supervision ("OTS").

WHEREAS, the OTS is of the opinion that the Institution has not complied with certain statutes and regulations to which the Institution is subject, as more fully discussed in the OTS's Report of Examination of the Institution dated May 4, 1992;

WHEREAS, the OTS is of the view that such non-compliance provides sufficient grounds for the initiation of formal enforcement proceedings against the Institution by the OTS;

WHEREAS, the OTS is willing to forbear at this time from the initiation of formal enforcement proceedings against the Institution for its failure to comply with certain statutes and regulations to which it is subject, provided the Institution enters into this Agreement;

WHEREAS, by entering into this Agreement, neither the Institution, nor any subsidiary admits or denies that it has violated any statute or regulation or has been operating in an unsafe and unsound manner; and

WHEREAS, the Institution, in the interest of regulatory compliance and cooperation, is willing to enter into and abide by the terms of this Agreement to avoid the initiation of formal enforcement proceedings against it by the OTS.

NOW, THEREFORE, in consideration for the above stated forbearance by the OTS from the initiation of formal enforcement proceedings, it is agreed between the parties as follows:

1. Internal Audit Function

Within 60 days of the Effective Date, the Institution shall file with the Assistant Regional Director ("ARD"), copies of a Board approved Internal Audit Plan ("Audit Plan") which addresses the internal audit needs of the Institution. The Audit Plan shall, at a minimum:

- a) detail each area to be reviewed during the current audit cycle in an Audit Schedule approved by the Board. The Audit Schedule shall include an evaluation of the Internal Asset Review System and cover all high-risk areas including asset/liability management, real estate owned and mortgage loans secured by nonresidential real estate;
- b) contain an analysis of the Institution's internal audit resources to determine whether the Audit Plan's goals can be achieved by the current internal audit staff or whether the department needs to be expanded to adequately perform the audit function;
- c) require that all responses to Audit Reports include a timely written response and a written plan to correct all deficiencies noted in the Audit Report;
- d) require that the minutes of the Audit Committee meetings are comprehensive and include acknowledgement of receipt of Audit Reports, a discussion of Audit Report findings, and ratification of recommendations; and
- e) provide for at least monthly reports by the Audit Committee to the Board. All Audit Committee findings, conclusions and recommendations shall be fully documented in the minutes of the Board meetings.

## 2. Management

Immediately upon the execution of this Agreement, the Board shall commence a search for a qualified Chief Loan Officer ("CLO"). The Board shall use its best efforts to locate a qualified candidate within 60 days after the Effective Date. The proposed CLO shall be subject to the formal Notice Requirements of Thrift Bulletin 45.

## 3. Board of Directors

Immediately upon the execution of this Agreement, the Board shall commence a search for two (2) qualified candidates to serve on the Board, in order to increase the total number of directors to nine. Each proposed director shall be subject to the formal Notice Requirements of Thrift Bulletin 45. Such candidates shall possess relevant financial or business experience, education, competence, and integrity, so as to provide adequate oversight regarding the Institution's operation, proposed business activities, and other policy decisions. No new directors shall have any familial relationship with any existing director, officer, employee or principal shareholder.

#### 4. Business and Strategic Plans

Within 60 days of the Effective Date, and annually thereafter, the Institution shall submit for the review and approval of the ARD, a Board approved, comprehensive Business Plan, which details the Institution's operating strategies and financial projections for the next 12 months, and addresses the Institution's plans for achieving and maintaining core capital in the amount required under the Individual Minimum Capital Requirement set forth in paragraph 5, below.

The Plan shall include, at a minimum: (1) a discussion of the Institution's short term goals and objectives; (2) pro-forma financial statements which reflect the proposed operating strategy of the Institution; and (3) any proposed asset growth or reduction.

Within 60 day of the Effective Date, the Institution shall submit for the review and approval of the ARD, a Board approved Strategic Plan, which detail the Institution's strategy for the next 3 - 5 years. The Strategic Plan shall include, at a minimum: (1) a discussion of the Institution's long term goals and objectives; (2) pro-forma financial statements which reflect the proposed long term operating strategy of the Institution; and (3) any proposed asset growth or reduction for the period covered by the Plan.

#### 5. Individual Minimum Capital Requirement

No later than July 20, 1993, the Institution shall provide the ARD with evidence that as of June 30, 1993, the Institution, after giving effect to all applicable phase outs and exclusions from capital applicable at any given time (i) has achieved a core capital ratio equal to or in excess of five percent (5%); and (ii) is otherwise in compliance with all other capital requirements applicable to the Institution as set forth in Part 567 of the OTS Regulations.

#### 6. Conflicts of Interest

The Institution is hereby prohibited from entering into any transaction, commitment or arrangement, including but not limited to the extension of credit or the provision of services, with any affiliate or affiliated person, without obtaining the prior written approval of the ARD.

#### 7. Marketing Authorization

The Institution hereby authorizes the OTS to provide otherwise confidential information about the Institution to third parties

to facilitate the possible acquisition of the Institution by a qualified buyer, provided that: (i) each third party agrees with the OTS, at least orally, not to disclose such information except to its own directors, officers, employees or agents who have a need to know such information ("Confidentiality Agreement") and (ii) each third party agrees to sign a written statement confirming such Confidentiality Agreement prior to receiving any written information about the Institution. The Institution agrees to assist the OTS in the preparation of marketing packages for dissemination to interested third parties and shall pay for the costs of related activities undertaken on its behalf.

The Institution also agrees to file status reports with the ARD which summarizes any and all discussions between the Institution any potential acquirors. Such reports shall be filed every month commencing the month after the Effective Date.

Finally, the Institution agrees to release the OTS from any and all liability arising out of its disclosure of information about the Institution to third parties which is made in an effort to assist in the possible acquisition of the Institution.

#### 8. Employment Contracts

Employment contracts between the Institution and its senior executive officers and directors are subject to the requirements of OTS Regulatory Bulletin 27, and must receive the prior approval of the ARD.

#### 9. Corrective Action

Within 60 days of the Effective Date, the Institution shall submit a detailed action plan, including time frames, designed to correct all deficiencies cited in the OTS report of Examination commenced May 4, 1992, to the extent that a specific plan for correction of such deficiency is not otherwise expressly required herein. This detail action plan shall include a description of the additional procedures, internal controls and follow-up mechanisms developed by the Institution to prevent a reoccurrence of similar issues.

#### 10. Board Review of Compliance

The Board shall, at each regular meeting, formally resolve that, to the best of its knowledge and belief, and based on a prudent review of reports prepared by management reflecting the operation of the Institution during the previous calendar month, the Institution and all its subsidiaries complied with each provision of this Agreement, except as otherwise specifically stated. The resolution shall specify in detail how, if at all, full

compliance was found to be lacking. The resolution shall set forth any exceptions to any provision of this Agreement approved by the ARD.

Within 2 business days after the next following regularly scheduled monthly Board meeting, the Institution shall submit to the ARD a copy of the minutes of such Board meetings, the minutes of the Board's committee(s) meetings, and the aforementioned resolution. Each director shall at such time either provide the ARD with a certification that, to the best of his or her knowledge and belief, and based upon a prudent review, the above-referenced resolution is accurate, or provide the ARD with a written statement providing in detail the reason(s) for disagreement with the resolution.

#### 11. Rights and Waivers

This Agreement has been duly authorized, executed, delivered, and constitutes, in accordance with its terms, a valid and binding agreement between the Institution and the OTS. It is understood and agreed that this Agreement is a "written agreement" between the depository institution and the OTS, as that term is used in Section 8 of the Federal Deposit Insurance Act ("FDIA") (12 U.S.C. Section 1818). No amendment or modification of this Agreement shall be valid or binding unless executed in writing by both the OTS and the Institution.

Any rights, powers, and remedies given to the OTS by this Agreement shall be in addition to all rights, powers, waivers and remedies given to its by any applicable statute or rule of law. The OTS does not relinquish any of its rights to take any supervisory or other action whatsoever with respect to the Institution as a result of this Agreement. The Institution acknowledges that it has not received any oral or written representations to the contrary by the OTS or any of its agents or employees.

#### 12. Definitions

All technical words or terms used in this Agreement, for which meanings are not specified or otherwise provided by the provisions of this Agreement, shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulation, the Home Owners' Loan Act ("HOLA"), the FDIA or OTS Memoranda. Any such technical words or terms used in this Agreement, and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the thrift industry.

### 13. Successor Regulations and Guidance

Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date, and references to successor provision(s) as they become applicable.

### 14. Miscellaneous

- a) In the event that any provision of this Agreement shall be declared invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.
- b) Nothing in this Agreement shall be construed as permitting the Institution to violate any law, rule, regulation, or policy, statement to which it is subject.
- c) The terms and provisions of this Agreement shall be binding upon, and enure to the benefit of, the parties hereto and their successors in interest.
- d) This Agreement shall remain in effect until terminated or modified, in whole or in part, by the OTS. All requests for termination or modification of this Agreement shall be submitted in writing to the ARD. The ARD may grant a written request for termination or modification of this Agreement if, in the ARD's opinion, the Institution has satisfactorily complied with the applicable terms of this Agreement for an appropriate period of time, or that a particular provision is no longer required for the safe and sound operation of the Institution.
- e) The ARD has the full and unfettered discretion to extend the time frames in all applicable provisions of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement by their respective duly authorized officers or designated agents. A certified copy of the resolution of the Board of Directors of the Institution authorizing the execution of this Agreement is attached hereto and made part hereof.

Approved:

OFFICE OF THRIFT SUPERVISION

By: 151  
Timothy J. Lane  
Acting Assistant Regional Director

By: 151 \_\_\_\_\_ Date SEP 17 1992  
Director

By: 151 \_\_\_\_\_ Date SEP 17 1992  
Director

By: 151 \_\_\_\_\_ Date Sept. 17, 1992  
Director

By: 151 \_\_\_\_\_ Date Sept. 17, 1992  
Director

By: 151 \_\_\_\_\_ Date Sept. 17, 1992  
Director

By: 151 \_\_\_\_\_ Date Sept 17, 1992  
Director

By: \_\_\_\_\_ Date \_\_\_\_\_  
Director